NOTES TO FINANCIAL STATEMENTS

31 March 2006

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability on 20 August 1992 and its shares are listed on The Stock Exchange of Hong Kong Limited. Subsequent to the balance sheet date, Upsky Enterprises Limited, a company incorporated in British Virgin Islands, became the ultimate holding company of the Company. Further details are set out in note 34 to the financial statements.

During the year, the Group engaged in the following principal activities:

– building related contracting services, including the design and installation of electrical equipment, water pumps and fire services equipment, air-conditioning systems and plumbing and drainage systems in new buildings and project management ("Contracting Services").

– trading and installation of electrical and mechanical engineering materials and equipment ("Trading Business").

– building related maintenance services, including the maintenance of the above installations and general building maintenance ("Maintenance Services").

On 31 March 2006, the Group discontinued its Contracting Services and Trading Business upon the disposal of certain subsidiaries on that date. Further details regarding the discontinued operations are set out in notes 12 and 27 to the financial statements. The Group's subsidiaries engaging in the discontinued operations are collectively referred to as the "Contracting Group" and the Company and the remaining subsidiaries are collectively referred to as the "Remaining Group".

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments which have been measured at fair value. These financial statements are presented in Hong Kong dollar ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2006. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

NOTES TO FINANCIAL STATEMENTS

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2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 2, 7, 8, 10, 11, 12, 14, 16, 18, 19, 21, 23, 27, 33, 36, 37, HKFRS 3 and HK-Int 4 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures.

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 17 – Leases

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings should be separated into leasehold land and buildings and to be accounted for separately. Leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, while buildings continue to be classified as part of property, plant and equipment.

In accordance with HKAS 17, since the Group's lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

The adoption of HKAS 17 has no effect on the consolidated income statement and the consolidated balance sheet for the years ended 31 March 2006 and 2005.

(b) HKAS 32 and HKAS 39 – Financial Instruments

Equity securities

In prior years, the Group classified its investments in equity securities as long term investments. Those investments which were intended to be held on a long term basis and for non-trading purposes were stated at their fair values on an individual basis with gains and losses recognised in the income statement. Upon the adoption of HKAS 39, these non-trading securities held by the Group at 1 April 2005 in the amount of HK$2,500,000 are designated as available-for-sale investments under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised as a separate component of equity until subsequent derecognition or impairment. The remaining equity securities held by the Group at 1 April 2005 in the amount of HK$514,000 were designated as financial assets at fair value through profit or loss under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised in the income statement.

The adoption of HKAS 39 has not resulted in any change in the measurement of these equity securities.

NOTES TO FINANCIAL STATEMENTS

31 March 2006

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(c) *HKFRS 5 – Non-current Assets Held for Sale and Discontinued Operations*

The Group has applied HKFRS 5 prospectively in accordance with the transitional provisions of HKFRS 5, which has resulted in a change in accounting policy on the recognition of a discontinued operation. Under the previous SSAP 33 "Discontinuing Operations", the Group would recognise a discontinued operation at the earlier of:

- the date the Group enters into a binding sale agreement; and
- the date the board of directors have approved and announced a formal disposal plan.

HKFRS 5 requires a component of the Group to be classified as discontinued when the criteria to be classified as held for sale have been met or when that component of the Group has been disposed of. An item is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such a component may represent a separate major line of business or geographical area of operations, part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or a subsidiary acquired exclusively with a view to resale. The principal impact of this change in accounting policy is that a discontinued operation is recognised by the Group at a later point than it would be under SSAP 33 due to the stricter criteria of HKFRS 5.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 Amendment	Capital Disclosures
HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	Net Investment in Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRSs 1 & 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining Whether an Arrangement Contains a Lease
HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Special Market – Waste Electrical and Electronic Equipment
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives

HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 will replace HKAS 32 and has modified the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual periods beginning on or after 1 January 2007.

In accordance with the amendments to HKAS 39 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18.

NOTES TO FINANCIAL STATEMENTS

31 March 2006

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

The HKAS 19 Amendment, HKAS 39 Amendment regarding cash flow hedge accounting of forecast intragroup transactions, HKAS 21 Amendment, HKFRSs 1 and 6 Amendments, HKFRS 6, HK(IFRIC)-Int 5, HK(IFRIC)-Int 6, HK(IFRIC)-Int 7, HJK(IFRIC)-Int 8 and HK(IFRIC)-Int 9 do not apply to the activities of the Group. HK(IFRIC)-Int 6 shall be applied for annual periods beginning on or after 1 December 2005. HKAS 21 Amendment, HK(IFRIC)-Int 7, HK(IFRIC)-Int 8 and HK(IFRIC)-Int 9 shall be applied for annual periods beginning on or after 1 January 2006, 1 March 2006, 1 May 2006 and 1 June 2006, respectively.

Except as stated above, the Group expects that the adoption of the other pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

Effect on the consolidated balance sheet

At 1 April 2005 **Effect of new policies** **(Increase/(decrease))**	**Effect of adopting HKASs 32 and 39** **Change in classification of equity investments*** *HK$'000*
Assets	
Long term investments	(3,014)
Available-for-sale financial assets	2,500
Equity investments at fair value through profit or loss	514
	–

* Adjustment/presentation taken effect prospectively from 1 April 2005

Except for the above, the effect of adopting new and revised HKFRSs has had no effect on the consolidated balance sheet as at 31 March 2006, the balances of equity at 1 April 2004 and at 1 April 2005 and the consolidated income statement for the years ended 31 March 2005 and 2006.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/ amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

NOTES TO FINANCIAL STATEMENTS

31 March 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	2%
Furniture and office equipment	20%
Motor vehicles	20%
Leasehold improvements	3 years or over the lease terms, whichever is shorter

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investments and other financial assets

Applicable to the year ended 31 March 2005:

The Group classified its equity investments, other than subsidiaries and associates, as long term investments.

Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. Unlisted securities are stated at their estimated fair values, on an individual basis. The estimated fair values of unlisted investments are determined by the directors having regard to, inter alia, the available audited financial statements or latest available unaudited financial information.

The gains or losses arising from changes in the fair value of a security that are held for non-trading purposes are credited or charged to the income statement in the period in which they arise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (Continued)

Applicable to the year ended 31 March 2006:

Financial assets in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (Continued)

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; a discounted cash flow analysis and option pricing models.

Impairment of financial assets (applicable to the year ended 31 March 2006)

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets (applicable to the year ended 31 March 2006) (Continued)

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through profit or loss.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;

- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial liabilities (applicable to the year ended 31 December 2005)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Installation and maintenance contracts and contracts in progress

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed installation and maintenance overheads.

Revenue from fixed price installation and maintenance contracts is recognised by the percentage of completion method, measured by reference to the percentage of certified work performed to date to the estimated total contract sum of the relevant contracts. When the outcome of the contracts cannot be estimated reliably, revenue is recognised only to the extent of certified work performed that is probable to be recoverable.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO FINANCIAL STATEMENTS

31 March 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party, directly, or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Company that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

NOTES TO FINANCIAL STATEMENTS

31 March 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Retirement benefits schemes

The Group operates two defined contribution retirement benefits schemes, including an Occupational Retirement Schemes Ordinance retirement benefits scheme (the "ORSO Scheme") and a Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees (including executive directors).

The ORSO Scheme is managed by an independent trustee. The Group makes monthly contributions to the scheme at 5% to 15% of the employees' basic salaries while the employees are not required to make any contributions. The employees are entitled to receive 100% of the contributions made by the Group together with the accrued earnings thereon upon retirement or leaving the Group after completing 10 years of service or at a reduced scale of 30% to 90% after completing three to nine years of service. Forfeited contributions and related earnings are used to reduce the contributions payable by the Group.

Under the MPF Scheme, contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The assets of both schemes are held separately from those of the Group in independently administered funds.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from installation and maintenance contracts, on the percentage of completion basis, as further explained in the accounting policy for "Installation and maintenance contracts and contracts in progress" above;

(c) project management income, when project management services have been rendered; and

(d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Judgements

The preparation of the Group's financial statements requires the use of estimates and assumptions about future events and conditions. In this connection, the directors consider the significant areas where management's judgement is necessary are those in relation to (i) the valuation of the Group's available-for-sale financial assets and equity investments at fair value through profit or loss; (ii) the provision for foreseeable losses on the amounts due from contract customers; and (iii) the recognition of losses on the Group's trade and other receivables and retention money receivables.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable. It should be noted that actual results could differ from those estimates.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

The Group tests annually whether property, plant and equipment has suffered any impairment, in accordance with the accounting policy stated in note 3. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates such as future revenue and discount rates.

NOTES TO FINANCIAL STATEMENTS

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4. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Hong Kong, and over 90% of the Group's assets are located in Hong Kong.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. The summarised details of the business segments are as follows:

(a) Maintenance Services: the building services maintenance business, which involves the maintenance of the installations mentioned in (b) below and general building maintenance.

(b) Contracting Services: the building services contracting business and project management segment, which includes the provision of multi-disciplinary building services, comprising electrical engineering, water pumping and fire services, air-conditioning installation, plumbing and drainage, environmental engineering, extra low voltage systems engineering and project management; and

(c) Trading Business: the trading of electrical and mechanical engineering materials and equipment segment.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

NOTES TO FINANCIAL STATEMENTS

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4. SEGMENT INFORMATION *(Continued)*

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2006 and 2005:

	Continuing operation		Discontinued operations											
	Maintenance Services		Contracting Services		Trading Business		Eliminations		Subtotal		Eliminations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:														
Sales	**195,871**	123,780	**372,529**	481,393	**44,764**	26,144	**(5,564)**	(1,963)	**411,729**	505,574	**(98,687)**	(79,323)	**508,913**	550,031
Segment results	**538**	(13,829)	**(6,573)**	(15,219)	**(712)**	(5,085)	**-**	-	**(7,285)**	(20,304)	**-**	-	**(6,747)**	(34,133)
Interest income and unallocated gains	**3**	514							**1,489**	1,502	**-**	-	**1,492**	2,016
Impairment of available-for-sale financial assets	**-**	-	**(2,160)**	-	**-**	-	**-**	-	**(2,160)**	-	**-**	-	**(2,160)**	-
Fair value gain on equity investments at fair value through profit or loss	**-**	-	**50**	-	**-**	-	**-**	-	**50**	-	**-**	-	**50**	-
Unrealised holding losses on long term investments	**-**	-	**-**	(654)	**-**	-	**-**	-	**-**	(654)	**-**	-	**-**	(654)
Gain/(loss) on disposal of property, plant and equipment	**695**	(18)	**12**	47	**(14)**	-	**-**	-	**(2)**	47	**-**	-	**693**	29
Finance costs	**(1,216)**	(995)							**(450)**	(89)	**-**	-	**(1,666)**	(1,084)
Loss on disposal of subsidiaries	**(2,818)**	-							**-**	-	**-**	-	**(2,818)**	-
Loss before tax	**(2,798)**	(14,328)							**(8,358)**	(19,498)	**-**	-	**(11,156)**	(33,826)
Tax	**(114)**	(53)							**(53)**	(688)	**-**	-	**(167)**	(741)
Loss for the year	**(2,912)**	(14,381)							**(8,411)**	(20,186)	**-**	-	**(11,323)**	(34,567)
Assets and liabilities														
Segment assets	**124,912**	99,751	**-**	171,001	**-**	7,032	**-**	-	**-**	178,033	**-**	-	**124,912**	277,784
Unallocated assets	**-**	32,793	**-**	83,309	**-**	6,117	**-**	(15,552)	**-**	73,874	**-**	(63,898)	**-**	42,769
Bank overdrafts included in segment assets	**-**	547	**-**	25,236	**-**	4,773	**-**	-	**-**	30,009	**-**	-	**-**	30,556
Total assets	**124,912**	133,091							**-**	281,916	**-**	(63,898)	**124,912**	351,109
Segment liabilities	**68,374**	64,459	**-**	139,815	**-**	8,035	**-**	-	**-**	147,850	**-**	-	**68,374**	212,309
Unallocated liabilities	**-**	32,305	**-**	53,631	**-**	17,127	**-**	(15,552)	**-**	55,206	**-**	(63,898)	**-**	23,613
Bank overdrafts included in segment assets	**-**	547	**-**	25,236	**-**	4,773	**-**	-	**-**	30,009	**-**	-	**-**	30,556
Total liabilities	**68,374**	97,311							**-**	233,065	**-**	(63,898)	**68,374**	266,478
Other segment information:														
Depreciation	**496**	911	**550**	798	**2**	40	**-**	-	**552**	838	**-**	-	**1,048**	1,749
Capital expenditure	**124**	508	**2,708**	148	**14**	-	**-**	-	**2,722**	148	**-**	-	**2,846**	656
Provision for doubtful debts	**1,099**	71	**1,614**	139	**412**	1,321	**-**	-	**2,026**	1,460	**-**	-	**3,125**	1,531

NOTES TO FINANCIAL STATEMENTS

31 March 2006

5. TURNOVER, OTHER REVENUE AND GAINS

Turnover represents the net invoiced value of services rendered and goods sold, after allowances for returns and trade discounts, and an appropriate proportion of contract revenue from long term installation and maintenance contracts during the year.

An analysis of the Group's turnover, other revenue and gains is as follows:

	Continuing operation		Discontinued operations		Eliminations		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover								
Building services contracting and maintenance businesses	**195,871**	123,780	**369,912**	479,171	**(98,687)**	(79,323)	**467,096**	523,628
Project management income	**–**	–	**2,649**	2,222	**–**	–	**2,649**	2,222
Trading and installation of electrical and mechanical engineering materials and equipment	**–**	–	**39,168**	24,181	**–**	–	**39,168**	24,181
	195,871	123,780	**411,729**	505,574	**(98,687)**	(79,323)	**508,913**	550,031
Other revenue								
Interest income	**3**	327	**957**	990	**–**	–	**960**	1,317
Others	**–**	187	**532**	–	**–**	–	**532**	187
	3	514	**1,489**	990	**–**	–	**1,492**	1,504
Gains								
Gain on dissolution of subsidiaries	**–**	–	**–**	313	**–**	–	**–**	313
Gain on dissolution of an associate	**–**	–	**–**	199	**–**	–	**–**	199
	–	–	**–**	512	**–**	–	**–**	512
	3	514	**1,489**	1,502	**–**	–	**1,492**	2,016

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Continuing operation		Discontinued operations		Eliminations		Total	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Cost of inventories sold	**-**	–	**395**	17,332	**-**	–	**395**	17,332
Cost of maintenance and installation	**174,355**	116,077	**387,935**	472,364	**(98,687)**	(79,323)	**463,603**	509,118
	174,355	116,077	**388,330**	489,696	**(98,687)**	(79,323)	**463,998**	526,450
Depreciation	**496**	911	**552**	838	**-**	–	**1,048**	1,749
Minimum lease payments under operating leases in respect of land and buildings	**478**	476	**559**	619	**-**	–	**1,037**	1,095
Auditors' remuneration	**326**	348	**495**	452	**-**	–	**821**	800
Employee benefits expenses (including directors' remuneration *(note 8)*):								
Wages, salaries and bonus	**30,918**	25,853	**20,268**	25,105	**-**	–	**51,186**	50,958
Pension scheme contributions	**1,398**	1,239	**970**	1,782	**-**	–	**2,368**	3,021
Less: Forfeited contributions	**(63)**	–	**(330)**	(309)	**-**	–	**(393)**	(309)
Net pension scheme contributions*	**1,335**	1,239	**640**	1,473	**-**	–	**1,975**	2,712
	32,253	27,092	**20,908**	26,578	**-**	–	**53,161**	53,670
Less: Amount capitalised in contract costs	**(16,910)**	(10,537)	**-**	–	**-**	–	**(16,910)**	(10,537)
Amounts charged to administrative expenses	**15,343**	16,555	**20,908**	26,578	**-**	–	**36,251**	43,133
Loss on disposal of subsidiaries *(note 27)*	**2,818**	–	**-**	–	**-**	–	**2,818**	–
Other operating (income)/ expenses, net								
Provision for doubtful debts	**1,099**	71	**2,026**	1,460	**-**	–	**3,125**	1,531
Recovery of previously provided doubtful debts	**-**	–	**-**	(134)	**-**	–	**-**	(134)
(Gain)/loss on disposal of items of property, plant and equipment	**(695)**	18	**2**	(47)	**-**	–	**(693)**	(29)
Impairment of available-for-sale financial assets	**-**	–	**2,160**	–	**-**	–	**2,160**	–
Fair value gain on equity investments at fair value through profit or loss	**-**	–	**(50)**	–	**-**	–	**(50)**	–
Unrealised holding losses on long term investments	**-**	–	**-**	654	**-**	–	**-**	654
	404	89	**4,138**	1,933	**-**	–	**4,542**	2,022

* As 31 March 2006, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2005: Nil).

NOTES TO FINANCIAL STATEMENTS

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7. FINANCE COSTS

	Continuing operation		**Discontinued operations**		**Total**	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**1,216**	995	**450**	46	**1,666**	1,041
Interest on finance leases	**–**	–	**–**	43	**–**	43
	1,216	995	**450**	89	**1,666**	1,084

No interest was capitalised by the Group in the current or prior years.

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Fees:		
Executive directors	**–**	–
Independent non-executive directors	**360**	362
	360	362
Other emoluments to executive directors:		
Salaries, allowances and benefits in kind	**3,189**	3,322
Performance related payments	**–**	330
Pension scheme contributions	**159**	175
Gratuity	**160**	–
	3,508	3,827
	3,868	4,189

8. DIRECTORS' REMUNERATION *(Continued)*

(a) *Independent non-executive directors*

The fees paid to independent non-executive directors during the year were as follows:

	2006 **HK$'000**	2005 HK$'000
Yu Hon To, David	**120**	122
Ho Hin Kwan, Edmund	**120**	120
Chan Chok Ki	**120**	120
	360	362

There were no other emoluments payable to the independent non-executive directors during the year (2005: Nil).

(b) *Executive directors*

	Fees HK$'000	**Salaries, allowances and benefits in kind** HK$'000	**Performance related payments** HK$'000	**Pension scheme contributions** HK$'000	**Gratuity** HK$'000	**Total remuneration** HK$'000
2006						
Executive directors:						
Au Shiu Wai, Frank	**–**	**907**	**–**	**80**	**160**	**1,147**
Au Yu Fai, Patrick	**–**	**975**	**–**	**67**	**–**	**1,042**
Chan Yuen Keung, Zuric	**–**	**1,307**	**–**	**12**	**–**	**1,319**
Hong Yiu	**–**	**–**	**–**	**–**	**–**	**–**
Yu Sek Kee, Stephen	**–**	**–**	**–**	**–**	**–**	**–**
	–	**3,189**	**–**	**159**	**160**	**3,508**
2005						
Executive directors:						
Au Shiu Wai, Frank	–	1,040	80	96	–	1,216
Au Yu Fai, Patrick	–	975	150	67	–	1,192
Chan Yuen Keung, Zuric	–	1,307	100	12	–	1,419
Hong Yiu	–	–	–	–	–	–
Wong Sai Wing, James	–	–	–	–	–	–
Yu Sek Kee, Stephen	–	–	–	–	–	–
	–	3,322	330	175	–	3,827

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

NOTES TO FINANCIAL STATEMENTS

31 March 2006

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group included three (2005: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2005: two) non-director, highest paid employees for the year are as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**1,557**	1,557
Performance related payments	**–**	120
Pension scheme contributions	**122**	122
	1,679	1,799

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2006	2005
HK$1 to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**–**	1
	2	2

10. TAX

The Company is exempted from tax in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

	Continuing operation		Discontinued operations		Total	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Group:						
Current – Hong Kong						
Charge for the year	**114**	19	**53**	793	**167**	812
Under/(over)provision in prior years	**–**	53	**–**	(3)	**–**	50
Deferred *(note 24)*	**–**	(19)	**–**	(102)	**–**	(121)
Total tax charge for the year	**114**	53	**53**	688	**167**	741

A reconciliation of the tax credit applicable to loss before tax using the statutory rate in Hong Kong to the tax expense for the year is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Loss before tax (including loss from discontinued operations)	**(11,156)**	(33,826)
Tax at the statutory tax rate of 17.5% (2005: 17.5%)	**(1,952)**	(5,919)
Adjustments in respect of current tax of previous years	**–**	50
Income not subject to tax	**(122)**	(2)
Expenses not deductible for tax	**1,510**	448
Tax losses utilised from previous years	**(1,009)**	(226)
Tax losses not recognised	**1,677**	6,402
Others	**63**	(12)
Tax expense for the year	**167**	741
Tax charge attributable to discontinued operations *(note 12)*	**(53)**	(688)
Tax charge attributable to a continuing operation reported in the consolidated income statement	**114**	53

NOTES TO FINANCIAL STATEMENTS

31 March 2006

11. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The net loss from ordinary activities attributable to equity holders of the parent for the year ended 31 March 2006 dealt with in the financial statements of the Company was approximately HK$20,221,000 (2005: HK$2,267,000) (note 26(b)).

12. DISCONTINUED OPERATIONS

In March 2006, the Group disposed of its Contracting Services and Trading Businesses under a sale and purchase agreement (the "Disposal Agreement") entered into between the Company and Chinney Alliance Trading (BVI) Limited ("CAT"), a wholly-owned subsidiary of Chinney Alliance Group Limited ("CAG"), a then substantial shareholder of the Company, whereby the entire issued share capital of its wholly-owned subsidiary, Shun Cheong Investments Limited ("SCI"), was sold for a cash consideration of HK$35,000,000 (the "Disposal). The Disposal was completed on 31 March 2006 after the following conditions had been satisfied:

(i) a corporate restructuring (the "Corporate Restructuring") was undertaken such that SCI became the holding company of a group of companies engaging in Contracting Services and Trading Business (the "Contracting Group");

(ii) an aggregate amount of approximately HK$18,053,000 due from the Contracting Group to the Remaining Group was waived (the "Waiver") and was taken into account in arriving at the net assets of the Contracting Group on disposal;

(iii) the Disposal was approved by the Company's independent shareholders at a special general meeting which was held on 27 March 2006;

(iv) the disposal was approved by the shareholders of CAG at a special general meeting which was held on 27 March 2006; and

(v) the execution of a deed of indemnity by CAG in favour of the Company (the "Deed of Indemnity") pursuant to which CAG guarantees and indemnifies unconditionally and irrevocably all liabilities and all obligation of the Company under the corporate guarantees provided by the Company to banks for general banking facilities granted to certain subsidiaries of the Contracting Group, as well as the liabilities of CAT for warranties provided by CAT. The Deed of Indemnity was executed by CAG on 31 March 2006.

Details of the principal subsidiaries included in the Remaining Group are set out in note 15 to the financial statements.

12. DISCONTINUED OPERATIONS *(Continued)*

The results attributable to the discontinued operations for the year are presented below:

	2006 **HK$'000**	2005 HK$'000
Turnover	**411,729**	505,574
Cost of installation and cost of sales#	**(388,330)**	(489,696)
Gross profit	**23,399**	15,878
Other revenue and gains	**1,489**	1,502
Administrative expenses	**(28,658)**	(34,856)
Other operating income/(expenses), net	**(4,138)**	(1,933)
Finance costs	**(450)**	(89)
Loss before tax	**(8,358)**	(19,498)
Tax	**(53)**	(688)
Loss for the year from discontinued operations	**(8,411)**	(20,186)
Minority interests	**366**	(281)
Loss for the year attributable to the equity holders of the parent	**(8,045)**	(20,467)

The Contracting Group's cost of installation and cost of sales included approximately HK$98,687,000 (2005: HK$79,323,000) for building related maintenance services rendered by certain subsidiaries within the Remaining Group during the year. As set out in note 4 to the financial statements, such costs would be eliminated on consolidation.

The net cash flows attributable to the discontinued operations are as follows:

	2006 **HK$'000**	2005 HK$'000
Net cash inflow/(outflow) from operating activities	**21,976**	(4,497)
Net cash inflow/(outflow) from investing activities	**(591)**	1,291
Net cash outflow from financing activities	**(12,512)**	(10,468)
Net cash inflow/(outflow)	**8,873**	(13,674)
Loss per share:		
Basic	**(6.94) cents**	(17.65) cents
Diluted	**N/A**	N/A

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31 March 2006

12. DISCONTINUED OPERATIONS *(Continued)*

The calculations of basic loss per share from the discontinued operations are based on:

	2006	2005
	HK$'000	*HK$'000*
Net loss attributable to equity holders of the parent from the discontinued operations	**8,045**	20,467

	Number of shares	
	2006	2005
Weighted average number of shares in issue during the year used in the basic loss per share calculation	**115,930,400**	115,930,400

13. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of loss per share amounts is based on the net loss for the year attributable to equity holders of the parent, and the weighted average number of ordinary shares in issue during the year.

The calculations of basic loss per share are based on:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Loss		
Loss attributable to equity holders of the parent		
From a continuing operation	**3,057**	13,262
From discontinued operations	**8,045**	20,467
	11,102	33,729

	Number of shares	
	2006	2005
Shares		
Weighted average number of shares in issue during the year used in the basic loss per share calculation	**115,930,400**	115,930,400

Diluted loss per share amounts for the years ended 31 March 2006 and 2005 have not been presented as no diluting events existed during either years.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings *HK$'000*	**Furniture and office equipment** *HK$'000*	**Motor vehicles** *HK$'000*	**Leasehold improvements** *HK$'000*	**Total** *HK$'000*
31 March 2006					
At 31 March 2005 and at 1 April 2005:					
Cost	22,378	4,737	1,462	756	29,333
Accumulated depreciation	(4,214)	(3,952)	(1,341)	(733)	(10,240)
Net carrying amount	18,164	785	121	23	19,093
At 1 April 2005, net of accumulated depreciation	18,164	785	121	23	19,093
Additions	–	743	–	2,103	2,846
Disposals	(15,460)	(29)	–	–	(15,489)
Depreciation provided during the year	(320)	(505)	(43)	(180)	(1,048)
Disposal of subsidiaries *(note 27)*	(28)	(753)	–	(1,879)	(2,660)
At 31 March 2006, net of accumulated depreciation	**2,356**	**241**	**78**	**67**	**2,742**
At 31 March 2006:					
Cost	3,086	798	271	266	4,421
Accumulated depreciation	(730)	(557)	(193)	(199)	(1,679)
Net carrying amount	**2,356**	**241**	**78**	**67**	**2,742**

NOTES TO FINANCIAL STATEMENTS

31 March 2006

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group

	Land and buildings HK$'000	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
31 March 2005					
At 31 March 2004 and at 1 April 2004:					
Cost	22,378	9,802	4,505	1,750	38,435
Accumulated depreciation	(3,765)	(8,479)	(3,870)	(1,586)	(17,700)
Net carrying amount	18,613	1,323	635	164	20,735
At 1 April 2004, net of accumulated depreciation	18,613	1,323	635	164	20,735
Additions	–	352	271	33	656
Disposals and write-offs	–	(30)	(510)	(9)	(549)
Depreciation provided during the year	(449)	(860)	(275)	(165)	(1,749)
At 31 March 2005, net of accumulated depreciation	18,164	785	121	23	19,093
At 31 March 2005:					
Cost	22,378	4,737	1,462	756	29,333
Accumulated depreciation	(4,214)	(3,952)	(1,341)	(733)	(10,240)
Net carrying amount	18,164	785	121	23	19,093

The Group's land and buildings are located in Hong Kong and are held under medium-term leases.

The Group had no pledged property, plant and equipment as at 31 March 2006. At 31 March 2005, certain of the Group's land and buildings with an aggregate net book value of HK$15,716,000 were pledged to secure general banking facilities granted to the Group (note 22).

15. INTERESTS IN SUBSIDIARIES

	Company	
	2006	2005
	HK$'000	*HK$'000*
Unlisted shares, at cost	**1**	33,116
Due from a subsidiary	**7,486**	147,434
Due to a subsidiary	**(28)**	–
	7,459	180,550
Impairment	**–**	(120,672)
	7,459	59,878

The balances with subsidiaries are unsecured, interest-free, and have no fixed terms of repayment.

The carrying amounts of the balances with subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries at the balance sheet date are as follows:

Name	**Place of incorporation and operations**	**Nominal value of issued ordinary share capital**	**Percentage of equity attributable to the Company***	**Principal activities**
Ever Billion Engineering Limited	Hong Kong	HK$100	100.00	Provision of building and electrical maintenance services
Shun Cheong Real Estates Limited	Hong Kong	HK$10,000	100.00	Property holding
Tinhawk Company Limited	Hong Kong	HK$2,000,000	90.00	Installation and maintenance of water pumps and fire prevention and fighting systems

* All the above subsidiaries are held indirectly by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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16. LONG TERM INVESTMENTS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Listed equity investments in Hong Kong, at market value	**–**	514
Unlisted equity investments, at fair value	**–**	2,500
	–	3,014

As at 1 April 2005, upon the Group's adoption of HKASs 32 and 39, the Group's investments in equity securities were designated as either available-for-sale financial assets or equity investments at fair value through profit or loss. Further details regarding the changes in the classification of the Group's equity investments are set in note 2.4 to the financial statements.

17. GROSS AMOUNT DUE FROM/(TO) CONTRACT CUSTOMERS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Gross amount due from contract customers	**28,011**	90,500
Gross amount due to contract customers	**(12,833)**	(91,745)
	15,178	(1,245)
Contract costs incurred plus recognised profits less recognised losses and foreseeable losses to date	**827,741**	3,284,629
Less: Progress billings	**(812,563)**	(3,285,874)
	15,178	(1,245)

18. INVENTORIES

Inventories comprised electrical cables, conduits, wiring accessories, light fittings and switch gears.

	Group	
	2006	2005
	HK$'000	*HK$'000*
Merchandise for sale	**–**	395

19. TRADE AND OTHER RECEIVABLES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Trade receivables	**28,590**	122,992
Other receivables	**26,863**	52,252
	55,453	175,244

The Group grants to its trade customers credit periods normally ranging from cash on delivery to 60 days. A longer credit period is granted to a few customers with long business relationships with the Group and with strong financial positions. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on invoice date and net of provisions for bad and doubtful debts, is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
0 to 30 days	**11,450**	60,816
31 to 60 days	**3,905**	11,867
61 to 90 days	**3,841**	6,738
Over 90 days	**9,394**	43,571
	28,590	122,992

Included in the Group's trade receivables balance as at 31 March 2006 as set out above are amounts due from a related company, Chinney Construction Company, Limited ("Chinney Construction"), of approximately HK$506,000 (2005: HK$41,442,000), which arose from the provision of various building and maintenance services. Please refer to note 29(a) for details of related party transactions with Chinney Construction.

20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**2,088**	2,751	**11**	74
Time deposits	**35,000**	32,310	**35,000**	–
	37,088	35,061	**35,011**	74
Less: Pledged time deposits	**–**	(26,800)	**–**	–
Cash and cash equivalents	**37,088**	8,261	**35,011**	74

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one week and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and bank balances and the time deposits approximate to their fair values.

21. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
0 to 30 days	**6,474**	17,321
31 to 60 days	**2,703**	7,414
Over 60 days	**12,102**	8,841
	21,279	33,576

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

22. INTEREST-BEARING BANK LOANS AND OVERDRAFTS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Current:		
Bank overdrafts – secured	**–**	25,490
Bank overdrafts – unsecured	**–**	5,066
Trust receipt loans – unsecured	**–**	16,330
	–	46,886

The maturity of the above bank loans and overdrafts is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Analysis into:		
Bank overdrafts repayable within one year or on demand	**–**	30,556
Trust receipt loans repayable within three months from date of advance	**–**	16,330
	–	46,886

As at 31 March 2005, the bank overdrafts and trust receipt loans as set out above bore interest at floating interest rates and their carrying amounts approximated to their fair values.

As at 31 March 2005, the Group's banking facilities, including overdrafts, letters of credit and bank guarantees of approximately HK$76,500,000, of which HK$67,793,000 have been utilised as at the balance sheet date, were secured by bank deposits of the Group of approximately HK$26,800,000 (note 20) and certain of the Group's land and buildings with an aggregate net book value of approximately HK$15,716,000 (note 14).

The Group did no have any banking facilities as at 31 March 2006.

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31 March 2006

23. LOAN FROM A MINORITY SHAREHOLDER OF A SUBSIDIARY

The loan from a minority shareholder of a subsidiary was unsecured, interest-free and had no fixed terms of repayment.

On 31 March 2006, the loan was assumed by the Contracting Group upon the completion of the Disposal *(note 27)*.

24. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year are as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Accelerated tax depreciation		
At 1 April	**26**	147
Deferred tax credited to the consolidated income statement during the year *(note 10)*	**–**	(121)
Disposal of subsidiaries *(note 27)*	**(26)**	–
Deferred tax liabilities at 31 March	**–**	26

The Group has tax losses arising in Hong Kong of approximately HK$15,345,000 (2005: HK$72,244,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time or whose future profit streams are unpredictable.

At 31 March 2006, there was no significant unrecognised deferred tax liability (2005: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

25. SHARE CAPITAL

	Company	
	2006	2005
	HK$'000	*HK$'000*
Authorised:		
8,000,000,000 ordinary shares of HK$0.01 each (2005: 8,000,000,000 ordinary shares of HK$0.01 each)	**80,000**	80,000
Issued and fully paid:		
115,930,400 ordinary shares of HK$0.01 each (2005: 115,930,400 ordinary shares of HK$0.01 each)	**1,159**	1,159

In the prior year, pursuant to a special resolution passed on 16 September 2004, the following share consolidation, capital reduction, share sub-division and cancellation of share premium account (hereinafter known as the "Capital Reorganisation") were effected. The details are set out below:

(a) the consolidation of every four ordinary shares of HK$0.10 each (issued and unissued) into one ordinary share of nominal value of HK$0.40 (the "Consolidated Share");

(b) the reduction of the nominal value of each Consolidated Share in issue from HK$0.40 to HK$0.01 by the cancellation of HK$0.39 from the paid-up capital of each Consolidated Share;

(c) the sub-division of each authorised but unissued Consolidated Share of HK$0.40 into 40 ordinary shares of HK$0.1 each (the "New Share");

(d) the increase of the authorised share capital to HK$80,000,000 by the creation of 4,521,285,600 New Shares of HK$0.01 each ranking pari passu in all respects with each other;

(e) the application of the total credit of HK$45,212,856 arising from the capital reduction as detailed in (b) above to set off the accumulated losses of the Company of HK$108,935,656 as at 31 March 2004, and

(f) the cancellation of the share premium account of HK$110,631,927 and the application of the credit so arising as follows:

    (i) to eliminate the balance of the accumulated losses of the Company as at 31 March 2004; and

    (ii) to apply the remaining credit of HK$46,909,127 arising therefrom to the Company's contributed surplus account.

NOTES TO FINANCIAL STATEMENTS

31 March 2006

25. SHARE CAPITAL *(Continued)*

Upon completion of the Capital Reorganisation, the authorised share capital of the Company became HK$80,000,000 divided into 8,000,000,000 shares of HK$0.10 each. The issued share capital of the Company was reduced from HK$46,372,160 dividing into 463,721,600 shares of HK$0.10 each to HK$1,159,304 dividing into 115,930,400 shares of HK$0.01 each.

A summary of the transactions during the year ended 31 March 2005 with reference to the above movements in the Company's issued ordinary share capital is as follows:

	Number of Shares in issue	Issued share capital	Share premium account	Total
		HK$'000	*HK$'000*	*HK$'000*
At 1 April 2004	463,721,600	46,372	110,632	157,004
Share consolidation *(a)*	(347,791,200)	–	–	–
Capital reduction *(b)*	–	(45,213)	–	(45,213)
Cancellation of share premium account *(f)*	–	–	(110,632)	(110,632)
At 31 March 2005, at 1 April 2005 and at 31 March 2006	**115,930,400**	**1,159**	**–**	**1,159**

26. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 25 of the financial statements.

(b) Company

	Share premium account	Contributed surplus	Capital redemption reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2004	110,632	14,009	132	(108,936)	15,837
Capital Reorganisation *(note 25)*	(110,632)	46,909	–	108,936	45,213
Loss for the year	–	–	–	(2,267)	(2,267)
At 31 March 2005 and 1 April 2005	–	60,918	132	(2,267)	58,783
Loss for the year	–	–	–	(20,221)	(20,221)
At 31 March 2006	**–**	**60,918**	**132**	**(22,488)**	**38,562**

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders in certain circumstances.

27. DISPOSAL/DISSOLUTION OF SUBSIDIARIES

	2006 **HK$'000**	2005 HK$'000
Net assets disposed of:		
Property, plant and equipment	**2,660**	–
Available-for-sale equity investments	**340**	–
Equity investments at fair value through profit or loss	**564**	–
Gross amount due from contract customers	**42,259**	–
Trade and other receivables	**94,660**	6
Retention money receivables	**19,443**	–
Due from the Remaining Group	**9,353**	–
Prepayments, deposits and other assets	**222**	–
Tax recoverable	**2,765**	–
Pledged time deposits	**26,800**	–
Cash and bank balances	**7,841**	133
Gross amount due to contract customers	**(43,737)**	–
Trade payables	**(32,451)**	–
Bills payable	**(7,727)**	–
Retention money payables	**(22,147)**	–
Other payables and accruals	**(21,393)**	(426)
Due to related companies	**(705)**	–
Trust receipt loans	**(3,818)**	–
Bank overdrafts	**(21,510)**	–
Deferred tax liabilities	**(26)**	–
Loan from a minority shareholder of a subsidiary	**(6,900)**	–
Minority interests	**(10,770)**	(26)
	35,723#	(313)
(Loss) on disposal/gain on dissolution of subsidiaries	**(2,818)**	313
	32,905	–
Satisfied by:		
Cash	**35,000**	–
Less: Relevant costs for the Disposal	**(2,095)**	–
	32,905	–

\# The carrying amount of net assets disposed of as set out above was arrived at after taking into account of the Waiver amounting HK$18,053,000 as set out in note 12 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 March 2006

27. DISPOSAL/DISSOLUTION OF SUBSIDIARIES *(Continued)*

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the disposal/dissolution of subsidiaries is as follows:

	2006	2005
	HK$'000	*HK$'000*
Cash consideration	**35,000**	–
Cash and bank balances disposed of	**(7,841)**	(133)
Pledged time deposits disposal of	**(26,800)**	–
Bank overdrafts disposed of	**21,510**	–
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal/dissolution of subsidiaries	**21,869**	(133)

The subsidiaries disposed of in the year ended 31 March 2006 contributed HK$411,729,000 to the Group's consolidated turnover and loss of HK$8,411,000 to the Group's consolidated loss for the year.

The results of the subsidiaries dissolved in the year ended 31 March 2005 had no significant impact on the Group's consolidated turnover or loss for that year.

28. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transaction

During the year, the Group paid dividend of HK$6,000,000 to a minority shareholder of a former subsidiary by offsetting against other receivables due from it.

29. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	Group 2006 HK$'000	2005 HK$'000
Billing of building maintenance works and building services installation works to Chinney Construction	*(i)*	**108,358**	120,152
Purchase of merchandise from Chinney Alliance Engineering Limited	*(ii)*	**491**	817
Sub-contracting charge paid to a 49.9% minority shareholder of Shun Wing for the completion of work orders of a building maintenance contract		**2,249**	25,846

Notes:

(i) Chinney Construction is a company of which Wong Sai Wing, James (who resigned as chairman and executive director of the Company on 17 September 2004) and Chan Yuen Keung, Zuric are also directors and have indirect beneficial interests therein.

The transactions constituted continuing connected transactions for the Group under the Listing Rules.

The amount due from Chinney Construction is unsecured, interest-free and is repayable within normal credit terms of 60 days. Details of the balance are included in note 19 to the financial statements. The maximum amount due from Chinney Construction during the year was HK$10,466,211 (2005: HK$47,369,000).

As at 31 March 2006, the Group also had an amount payable to Chinney Construction of HK$14,350,000 (2005: HK$22,930,000) included in other payables and accruals. The balance is unsecured, interest-free and has no fixed terms of repayment.

(ii) Chinney Alliance Engineering Limited is a wholly-owned subsidiary of CAG, which was a substantial shareholder of the Company as at 31 March 2006. Yu Sek Kee, Stephen is also a director of CAG.

In the opinion of the directors, the above transactions were conducted at mutually agreed rates in the ordinary and usual course of the Group's business.

(b) Outstanding balances with related parties:

(i) Details of the Company's amount due from a subsidiary are included in note 15 to the financial statements.

(ii) Details of the Company's loan from a minority shareholder of a subsidiary are included in note 23 to the financial statement.

(iii) The Group and the Company had outstanding balances due to related companies of HK$9,294,000 and HK$757,000 (2005: Nil), respectively, as at the balance sheet date. The balances are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO FINANCIAL STATEMENTS

31 March 2006

29. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Other transactions with related parties:

(i) In March 2006, the Company disposed of its entire equity interest in a wholly-owned subsidiary namely SCI, to CAT, a wholly-owned subsidiary of CAG, a then substantial shareholder of the Company for a cash consideration of HK$35,000,000. Accordingly, the transaction constituted a connected transaction for the Company under the Listing Rules. Details in respect of this transaction are set out in note 12 to the financial statements.

(ii) As at 31 March 2006, the Company provided corporate guarantees of HK$75,000,000 to banks for general banking facilities granted to certain subsidiaries of the Contracting Group. Further details are set out in note 30(a) to the financial statements.

(d) Compensation of key management personnel of the Group:

The executive directors are the key management personnel of the Group. Details of their remuneration are disclosed in note 8 to this financial statements.

30. CONTINGENT LIABILITIES

(a) As at 31 March 2006, the Group had contingent liabilities of approximately HK$39,442,000 in respect of corporate guarantees provided by the Company to banks for general banking facilities granted to certain former subsidiaries of the Company to the extent of banking facilities utilised. Pursuant to the Deed of Indemnity, CAG guarantees and indemnifies unconditionally and irrevocably all liabilities and obligations of the Company under such corporate guarantees.

Subsequent to balance sheet date, the above corporate guarantees provided by the Company were released and replaced by corporate guarantees provided by CAG.

As at 31 March 2005, in addition to the bank deposits of HK$26,800,000 and certain of the Group's land and buildings with an aggregate net book value of approximately HK$15,716,000 as security for the banking facilities granted to the Group (note 22), the Company provides corporate guarantees to banks for the banking facilities granted to the Group. As at 31 March 2005, the banking facilities utilised by the Group amounted to approximately HK$67,793,000 which included the issuance of performance bonds by banks amounting to HK$13,070,000.

(b) The Company provided certain representation, warranties and undertakings to CAT under the Disposal Agreement in respect of the Disposal (the "Warranties"). CAT may claim the Company for breach of any of the Warranties up to a maximum amount of HK$10,000,000 until 31 March 2007, being 12 months from the completion of the Disposal Agreement. Up to the date of the approval of these financial statements, the Company did not receive any claims from CAT in respect of the Warranties.

Save as disclosed above, as at 31 March 2006, the Company and the Group had no significant contingent liabilities (2005: Nil).

31. OPERATING LEASE ARRANGEMENTS

As lessee, the Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to four years.

At 31 March 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2006	2005
	HK$'000	*HK$'000*
Within one year	**588**	828
In the second to fifth years, inclusive	**343**	983
	931	1,811

32. COMMITMENTS

Apart from those disclosed in note 31, at the balance sheet date, neither the Group nor the Company had any significant commitments.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and bank balances and interest-bearing bank loans and overdrafts. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables and payables, gross amounts due from and to contract customers, retention money receivables and payables, bills payable, and prepayments and accruals which arise directly from the Group's operations.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, credit risk and liquidity risk. The management meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The directors review and agree policies for managing each of these risks and they are summarised as follows:

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The interest rates and terms of repayment of interest-bearing bank loans and overdrafts are disclosed in note 22. Other financial assets and liabilities do not have material interest rate risk.

Interest-bearing bank loans and other borrowings, cash and bank balances, and short term time deposits are stated at cost and are not revalued on a periodic basis. Interest income and expenses at floating-rates are charged to the consolidated income statement as incurred.

The nominal interest rates of the financial instruments approximate to their respective effective interest rates.

NOTES TO FINANCIAL STATEMENTS

31 March 2006

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The Group maintains various credit policies for business operations as detailed in note 19. In addition, all receivables balances are closely monitored on an ongoing basis to minimise the Group's exposure to bad debts.

With respect to credit risk arising from the other financial assets of the Group, which mainly comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparties, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and trust receipt loans. The Group's policy is to maintain the Group at net current asset position.

The Group's overall risk management policy focuses on monitoring all potential financial risks to the Group. Whenever necessary, the Group will reduce the risk exposure.

34. POST BALANCE SHEET EVENTS

On 12 April 2006, CAG sold its 27.6% equity interest in the Company to Upsky Enterprises Limited ("Upsky"), a company wholly owned by an independent non-executive director of CAG.

On 8 May 2006, the Company received a voluntary conditional cash offer by Upsky to acquire all the Company's shares in issue (the "Offer") at the offer price of HK$0.30 per share. On 3 July 2006, the Offer was declared unconditional. On 17 July 2006, the Offer closed and Upsky received valid acceptances in respect of 38,178,249 shares of the Company under the Offer. As a result, Upsky owned 70,178,249 shares of the Company, representing approximate 60.53% of the issued share capital of the Company as at the date hereof and become the ultimate holding company of the Company.

Subsequent to the balance sheet date, the corporate guarantees provided by the Company to banks amounting to HK$75,000,000 for general banking facilities granted to certain subsidiaries of the Contracting Group were released and canceled before 30 June 2006. Further details of the corporate guarantees provided by the Company are set out in note 30(a) to the financial statements.

35. COMPARATIVE AMOUNTS

As further explained in notes 2.2 and 2.4 to the financial statements, due to the adoption of new HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with new requirements. Accordingly, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 18 July 2006.